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NSC REVIEW
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OPERATIONS COORDINATING BOARD

Washington, D.C.

PROGRESS REPORT ON NSC 5432/1

(LATIN AMERICA)

REFERENCE:

OCB FILE NO. 54

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OPERATIONS COORDINATING BOARD
Washington 25, D. C.

February 23, 1955


MEMORANDUM FOR THE OPERATIONS COORDINATING BOARD

SUBJECT: First Progress Report on NSC 5432/1 (Latin America)

The attached Operations Coordinating Board Progress Report on NSC 5432/1, "United States Objectives and Courses of Action with Respect to Latin America," dated January 19, 1955, was noted by the National Security Council on February 17, 1955, Action No. 1332.

This report was submitted to the NSC without revision of paragraphs l, g, h and i (Ref: OCE Minutes, 1/19/55, Item 2), the State Department having withdrawn that condition of concurrence in the report.

The previous draft of this report dated January 10, 1955 is obsolete and may be destroyed in accordance with the security regulations of your agency.


Elmer R. Staats
Executive Officer

Attachment:

Executive Officer OCE Memo to NSC,
on above subject, dated 2/3/55,
with attachment as listed.

OCD File No. 54

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OPERATIONS COORDINATING BOARD
Washington 25, D. C.

February 3, 1955

MEMORANDUM FOR: Mr. James S. Lay, Jr.
Executive Secretary
National Security Council

SUBJECT: Progress Report on NSC 5432/1 (Latin America)
(Policy Approved by the President, September 3, 1954)

There is attached the first progress report by the Operations Coordinating Board on NSC 5432/1, "United States Objectives and Courses of Action with Respect to Latin America," covering the period April 30, 1954 through December 1, 1954. On January 19, 1955, the Operations Coordinating Board concurred in the report for transmittal to the National Security Council.



Elmer B. Staats
Executive Officer

Attachment:

Progress Report on NSC 5432/1
(Latin America), dated 1/19/55.

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January 19, 1955

PROGRESS REPORT ON NSC 5432/1
UNITED STATES OBJECTIVES AND COURSES OF ACTION
WITH RESPECT TO LATIN AMERICA

(Policy Approved by the President, September 3, 1954)

(Period Covered: April 30 - December 1, 1954)

A. SUMMARY OF MAJOR ACTIONS

1. A communist-dominated government in Guatemala was overthrown and a government favorable to the U.S. came into power. The U.S. is supporting this new government with relatively substantial military and economic assistance.

2. The U.S. demonstrated increased support and use of the OAS and is increasing its financial support of that organization. Despite several incidents of friction in Central and South America, the U.S. has been instrumental in averting any breach of the peace.

3. Criticism of U.S. economic policy which reached a climax prior to the Rio Economic Conference has somewhat subsided. Criticism at the conclusion of the conference was less severe than might have been anticipated due in part to the sympathetic but firm attitude demonstrated by our Delegation and the assurances given by the Delegation of our determination to help Latin America solve its economic problems on a sound basis. Announcement of our support of an International Finance Corporation; liberalization of, and announcement of, loans under our development loan policy, and decisions not to impose additional duties on lead and zinc were major factors in reducing Latin American criticism.

4. The U.S. responded promptly and effectively to urgent appeals from Haiti and Honduras to meet major flood disasters in those countries, and subsequently extended substantial economic aid.

5. A decision to pay transportation, per diem and course costs for military trainees from MDAP countries in Latin America resulted in a substantial increase in the number of such trainees scheduled for attendance at Service schools in the U.S. and in the Canal Zone.

6. New Military Assistance Agreements with Honduras and Nicaragua are being implemented and the military grant program for Colombia was increased by one battalion; but, in general, the U.S. has been unable to accede to requests for increased grant military assistance.

7. The information program during this period was reoriented so as to deliver more impact in the priority countries such as Brazil, Chile, Bolivia and Guatemala. The President's "Atoms for Peace" proposal, the Rio Economic Conference, pertinent recommendations of the Milton Eisenhower report, and activities exposing Communism received continuing emphasis in both planning and output.

B. OPERATIONAL CONSIDERATIONS BEARING ON POLICY

8. The Working Group sees no need for any change at this time in the policy enunciated in NSC 5432/1. However, the Working Group has not had the opportunity to assess the impact of the Rio Economic Conference on policy.

C. EMERGING PROBLEMS AND FUTURE ACTIONS

9. The coming six months will in all probability be marked by a continuation of present problems in the political and economic fields. In the political field, the principal problem will be to find the means of associating the United States with the aspirations of the peoples of Latin America, thus counteracting communist propaganda which consistently and often effectively portrays the United States as the defender of "so-called exploiters" in opposition to the interests of the common people. To win the support of the peoples as well as the governments for our major policy objectives is a task of enormous and long-range proportions.

10. In the economic field, the United States will continue to be concerned with maintaining economic stability and accelerating economic development in Latin America. The United States will also have to face the desire of Latin Americans to have the U.S. assume a larger share of the financial burden involved in solving their economic problems than the U.S. is willing to bear. To meet this situation, the United States should continue its efforts to encourage and strengthen the will and ability of Latin America to take necessary self-help actions and at the same time, as required by U.S. interest, should furnish assistance needed to support and accelerate economic development in Latin America, and by this and other appropriate means demonstrate U. S. desire to aid Latin American efforts to achieve economic progress.

11. Specifically, the following emerging problems and possible future actions require attention:

a. Latin America will be greatly concerned with the results of the U.S. policy announced at Rio of assuring the financing of all sound Latin American economic development projects. It is important that this policy be implemented promptly and vigorously.

b. The Latin American press, since the Rio Conference, has generally not supported the U.S. position at that conference. It is important to take action to gain maximum support for our announced economic policy.

c. The U.S. should strengthen its effort to increase the use of private investment funds, both domestic and foreign, for economic development in Latin America. In this connection, a renewed effort is planned to secure Latin American participation in the Investment Guaranty Program, and steps should be taken to obtain necessary Congressional action on the Rio Economic Conference resolution on tax reduction.

d. The Soviet Union will continue its vigorous program indoctrinating Latin American labor with communist ideals. The U.S. should continue to develop its labor program for Latin America to meet this threat.

e. Implementation of the policy of extending credit for the sale of military equipment to Latin America has been severely handicapped. These sales have been carried out to date only through the use of regular Department of Defense funds. Solution of the problem apparently requires simplified procedures for the utilization of MDAP program funds for credit purposes and/or new legislation to provide a more flexible means of financing.

f. Efforts of some Latin American countries to enforce their claims to sovereignty over wide areas of the high seas beyond the three-mile limit recognized by the U.S., the general enthusiasm among the Latin governments over holding an OAS Conference on the Continental Shelf and related matters in 1955 or early 1956 and the important role of Latin American delegations in UN consideration of the subject, require careful review of the U.S. policy and strategy in this regard.

g. In view of the U.S. economic policy as outlined at the Rio Economic Conference, attention should be given to the need for maintaining continuity in the technical cooperation and economic assistance programs in Latin America.

h. The probable introduction of legislation to limit imports of petroleum as a measure to protect domestic fuel producers, primarily at the expense of Venezuela, will require

serious attention from the Executive Branch.

i. The reintroduction of legislation in Congress to increase the domestic sugar industry's share of the U.S. market is to be expected. If adopted, it would result in a proportionate reduction of foreign suppliers and would adversely affect the economy of Cuba.

j. Brazil is in the course of striving to level off an inflationary trend, and Chile is faced with a continuation of rapid inflation. Decisions will be required regarding the appropriate actions which the United States should take to support these countries.

k. Efforts to secure the base facilities in Brazil requested by Defense may cause the Brazilians to press their request for increased military assistance or other concessions. A decision will be required on these requests.

l. The question of opening negotiations with Argentina for a Bilateral Military Assistance Agreement has been raised and will require special consideration in the light of our relations with Argentina and her neighbors, and of public opinion in this country.

m. There are likely to be continuing efforts to overthrow the Figueres Government in Costa Rica, and Costa Rica may in consequence call for our assistance under the Rio Treaty.

n. In light of significant requests for assistance and limited appropriations for military assistance in Latin America, the Joint Chiefs of Staff have undertaken a general reappraisal of military objectives and programs in Latin America.

D. EXTENT OF AGENCY INTERESTS

12. The Department of Commerce and the Treasury Department fully participated in the deliberations of the Working Group, including the preparation of this report.

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ANNEX "A"

ANNEX "A" - DETAILED DEVELOPMENT OF MAJOR ACTIONSSTATEMENT OF ACTIONS BY PARAGRAPHS OF NSC 5432/1Para. 5 a. Greater Utilization of Organization of American States

The Organization of American States was used as a means of achieving our objectives in the case of communist intervention in Guatemala. After the arrival from Poland on May 15 in Guatemala of a substantial shipment of arms, the United States initiated consultations with all Latin American Governments, except Guatemala. Following these consultations, the Council of the Organization of American States voted almost unanimously (Ecuador voted against; Uruguay abstained) to convoke a Meeting of Ministers of Foreign Affairs. The Council of the OAS postponed the meeting sine die because the revolution in Guatemala overthrew the communist-controlled Government.

The revolution in Guatemala caused the communist-controlled Arbenz Government to appeal to the United Nations Security Council and to the Inter-American Peace Committee of the OAS alleging aggression on the part of Honduras and Nicaragua, supported by other foreign nations. The United States took the position that the Organization of American States was ready, willing and competent to respond to the appeal. The Security Council voted (Soviet Union against), in effect, to leave the matter to the OAS. The Inter-American Peace Committee prepared to investigate, but before the Committee arrived in Guatemala, the new government of that country indicated that the controversy requiring the investigation had ceased to exist.

Para. 5 b. Increasing Financial Support of Inter-American Organizations

Funds for increased contributions to inter-American organizations of approximately \$250,000 have been included in the Fiscal Year 1956 budget. Larger increases which had been proposed were reduced when it became apparent that the Latin American governments could not match in Fiscal Year 1956 increased contributions from the United States.

The United States has supported increased utilization of the OAS for technical cooperation and obtained funds to increase our contribution to the OAS Technical Cooperation Program from \$1 million to \$1.5 million.

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Para. 5c. Prior Consultation with Latin American Governments

The United States Delegation to the sessions of the UN General Assembly continues to consult with Latin American delegates on issues before the United Nations. Argentina and Uruguay have urged consultation concerning disposal of U.S. agricultural surpluses because of the effect such disposal has on their major export commodities. The U.S. has agreed to consultations but not to the extent these exporting countries desire.

Consultation with Latin American Governments on the Guatemala situation is discussed under Paragraph 5 a.

Para. 5d. Consideration of Latin American Problems at Highest Government Levels

A Sub-Cabinet Committee was created for the purpose of studying our economic relations with Latin America and recommending the position which the U.S. should take with respect to the agenda and proposals likely to be considered at the Rio Economic Conference. The Assistant Secretary of State for Inter-American Affairs visited the heads of all governments in South America and Mexico for the purpose of explaining and gaining acceptance for the policies which had been developed by this Committee. While the U.S. Delegation found it necessary to abstain on a number of the resolutions adopted by the Rio Economic Conference, abstention was explained in terms which were sympathetically received and understood by other delegations. The composition of the United States Delegation to the Rio Economic Conference included more ranking government officials than have attended previous conferences of this nature. It was headed by the Secretary of the Treasury and included the Under Secretary of State and a number of other officials of sub-cabinet rank.

Our relations with the Latin American countries continued to be generally favorable although there was increasing criticism of United States economic policy which reached a climax just prior to the Rio Economic Conference. Developments in relations with individual countries worthy of comment included the following:

(1) Relations with Argentina continued favorable during the period, but our Ambassador reports that it is becoming increasingly necessary for the United States to reciprocate Argentine cooperation by meeting some of Argentina's economic desires or offering tangible assistance, e.g., a military assistance program. The Export-Import Bank has sent a survey mission to Argentina to look into projects proposed by Argentina and has approved in principal a credit for a steel mill blast furnace. But other actions by the U.S. have so far been adverse to Argentina's desires, i.e., a quota has been imposed on the

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importation of oats and a quota on tung oil and tung nuts was avoided only by the voluntary agreement of Argentina and Paraguay to limit shipments to the U. S.

(2) During the period November 8 - 17, we reviewed with a Cuban Delegation our economic relations with Cuba. We were unable to accede to certain of Cuba's requests because they would require Congressional action, e.g., an increase in Cuba's sugar quota and tariff reductions on Cuban products. We made no commitments on other requests to purchase Cuban minerals for the stockpile and include Cuba in the offshore procurement program. Further discussions are to be held on the rice agreement and a possible double taxation treaty. Cuba agreed to seek early solutions to several pending U.S. problems pending in Cuba, e.g., GATT violations, debts owed by Cuba to private U.S. citizens. The Cubans were afforded a sympathetic hearing, however, and the discussions ended in an atmosphere of cordiality.

(3) The President of El Salvador received through his Ambassador in Washington a personal letter from the President on November 10 commending him for his role in bringing a peaceful settlement among Guatemalan leaders after the collapse of the communist-controlled Guatemalan Government. This exchange of letters between the two Presidents made a highly favorable impression in El Salvador.

(4) There was a marked improvement in our relations with Guatemala as a result of the change in Government in that country. Arrangements were made to permit Guatemala to purchase military equipment in the United States; credit terms are being granted on individual cases. A grant military assistance program is being considered. An economic program of over \$6 million was offered which includes funds to implement an agreement looking toward the completion of the Inter-American Highway in Guatemala.

(5) From September 1953 to August 1954, representatives of the United States and Panama were engaged in a full-scale review of problems in United States-Panama relations. Based on these negotiations, a new treaty with Panama has been drafted and is to be signed in January. In the course of these negotiations, representatives of Panama have been received by both the President and the Secretary of State.

(6) Our relations with Venezuela had deteriorated because of our support of Costa Rica and our action in granting Betancourt, ex-President of Venezuela, a visa to the U. S. The Assistant Secretary of State for inter-American Affairs reviewed our relations with Venezuela's President

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in October and particularly our attitude with respect to Costa Rica. At that time the President of Venezuela was advised of the plans of the Department of the Army to award him the Legion of Merit. The discussions and the award had the desired effect because U.S. relations with Venezuela promptly took a turn for the better.

A Delegation of United States officials - including the Assistant Secretary of State for Inter-American Affairs, the United States Representative to the Inter-American Economic and Social Council, Senator Bourke Hickenlooper, representing the Senate Committee on Foreign Relations, and Representative Clifford B. McIntire, representing the House Committee on Agriculture, participated in the inauguration of the Cochabamba-Santa Cruz Highway in Bolivia which was financed in part by the Export-Import Bank and built by a United States firm.

The Joint Mexico-United States Defense Commission visited Continental Air Defense Command at Colorado Springs for extensive briefing and demonstrations on common air defense problems and procedures.

The Secretary of Defense has accepted an invitation of the President of Colombia to visit that country in January of 1955.

The President of Haiti has accepted an official invitation to visit the U.S. in January, 1955.

Para. 5 e. Refraining from Unilateral Action

As noted under 5 a. above, the United States sought a solution of the Guatemalan problem through the Organization of American States. The United States has also resisted efforts of local factions to seek United States approval of proposed solutions of the indecisive Presidential elections in Honduras in which none of the three presidential candidates received the required majority to be elected.

Para. 5 f. Support of U.S. as Criterion for Aid

The outstanding example of taking account of the willingness and ability of a Latin American country to cooperate with the U.S. in determining the extent of U.S. assistance is Guatemala. The extent of assistance to the new Guatemalan Government is outlined under 5 d. above and is in sharp contrast to the extremely limited assistance given the previous government. This criterion continues to be applied in Bolivia where it has met with a good degree of success.

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Para. 5 h. Assistance to Countries Resisting Pressure from Neighbors

The United States has assisted Costa Rica in resisting pressures from the neighboring country of Nicaragua, as well as from Venezuela and the Dominican Republic. Because of outspoken denunciation of Venezuela, the Dominican Republic and Nicaragua, by the President of Costa Rica, the latter has gained the animosity of the Presidents of those countries, which has resulted in encouragement by them to dissident elements in Costa Rica to remove him from office. The United States continues to urge a peaceful solution to the dispute and encourage its submission to the OAS if necessary.

Para. 6. Increased Action Against Communist Penetration

The United States has continued to provide information on communist activities to the Latin American governments with a view to encouraging action to control such activity. Information supplied on a communist-sponsored Latin American Women's Conference held in the latter part of August in Rio de Janeiro was instrumental in exposing the Conference as communist-inspired and discouraging attendance with the result that it was a failure.

Similar action was taken with respect to a Youth Festival that was to be held in Guatemala and communist meetings scheduled from Santiago, Chile, and Vienna. Information on communist meetings and conferences is being made available to Latin American governments on a continuing basis.

As a result of discussions with the Latin American governments on the control of communist travel, Cuba has adopted new passport and visa regulations and Colombia is tightening up on its regulations. Chile has also taken a decision to prevent travel of its nationals to communist-sponsored meetings. The Department of Justice is considering what action the United States can take to carry out its obligation to exchange information on United States communists using tourist cards for international travel. Although these actions constitute some measure of success, communists and communist sympathizers continue to travel within and outside the Hemisphere with relative freedom.

There is an increasing awareness by the Latin American governments of the threat that communism poses to their security and the security of the Free World. Argentina and Chile have stepped up their efforts to control communist activity. Bolivia continues to take an increasingly strong stand against communism; and in Brazil, although communism has made gains, and the Communist Party claims to have held its first Party Congress since 1929, indications are that the new government will deal more strongly with communism than the previous Vargas Government. In Mexico, where the government has tended to side with the communist-controlled Arbenz Government in Guatemala, there is evidence of a new awareness of the dangers of communism.

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Para. 7. Colonialism

No action was taken by the United States, during the period, on this course of action. The British Government conferred with British Honduras officials on increased self-government, decided to continue its control over affairs of British Guiana, and proceeded with plans to federate its other territories in the Caribbean. The Dutch Government also proceeded with federation plans for its territories.

Para. 8a. Development of Responsible Organized Labor Movements

The U.S. increased the number of State Department labor officers in Latin America from 5 full-time and 4 part-time employees on May 1st to 6 full-time and 6 part-time employees on December 1st. The number of FOA labor personnel assigned to the region remained at 6 throughout the period. The U.S. also urged the Government of Guatemala to establish conditions for the development of free labor unions; and expanded programs for training of Latin American labor leaders in Puerto Rico and the U.S.

Para. 8 b. Control of Shipment of Strategic Materials

The Soviet bloc has shown interest in obtaining from Latin American countries certain strategic list goods and other important raw materials, e.g., copper, sulfur, lead, antimony and mica. Despite efforts by the Bloc to obtain strategic materials, the foreign trade of the Latin American countries in strategic items has continued to be almost entirely confined to the free world. During the period of this report, all countries of Latin America (except Argentina to which the Battle Act sanctions do not apply because Argentina is receiving no aid) reiterated earlier assurances of cooperation in the control of strategic material exports to the Soviet bloc. Chile and Peru are participating in a limited application of the IC/DV system as of November 30, 1954, and informal arrangements with copper-producing firms in Mexico remain in effect. No approach has been made to other countries for the adoption of IC/DV systems. Latin American cooperation in the Transit Authorization Certificate scheme is being considered.

In regard to trade in general between the Latin American Republics and the Soviet bloc, the Soviet Union and its satellites have been playing on Latin American concern over the future stability of markets in the U.S. and criticism of U. S. economic policies. Since the end of the Korean war, the Soviet Union and its satellites have been carrying out a so-called trade offensive in Latin America for both economic and propaganda purposes. The total value of Latin American-Soviet bloc trade is quantitatively small, amounting to about one-half of one percent of all Latin American trade in 1953. Nevertheless, the Soviet bloc has been making significant efforts to augment

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the importance of this trade in selected countries, especially in Argentina and Uruguay, which have exportable surpluses of agricultural products. Increased Soviet bloc interest is shown most clearly by the USSR and most prominently in the Argentina-USSR trade agreement of 1953 which was renewed in August, 1954. Czechoslovakia and Poland are the principal trading partners for the Soviet bloc although other satellites have become increasingly active.

The communists attempt to maximize the propaganda value of their trade efforts to show how the communist world tries to promote trade and assist in economic development as compared with alleged U.S. efforts to restrict trade. These trade activities also provide a cover for subversive activities and an excuse for requesting establishment or strengthening of diplomatic relations. No Latin American country has re-established diplomatic relations with bloc countries because of these efforts. While the Latin American countries occasionally use the threat of possible increased trade with the Soviet bloc as a bargaining point, e.g., the rumor that Chile, during the copper negotiations, would sell to the Soviet bloc, Latin American countries have concentrated their main efforts on increasing trade with the Free World and urging, particularly in connection with the Rio Economic Conference, more liberal United States trade practices and policies.

Para. 9 a. Long-Term Trading Policies

Latin America has been apprehensive regarding the future stability of their markets in the U.S. The U.S. Delegation to the Rio Economic Conference assured the delegates that the U.S. is determined to maintain a strong, healthy economy in the U.S., insuring by this means a growing volume of trade. The U.S. was also able to demonstrate interest in avoiding serious injury to their trade by the following actions:

- (1) The President's decision not to accept a recommendation for tariff increases on lead and zinc which would have adversely affected Bolivia, Peru and Mexico, and to assist the domestic industry instead by increasing purchases for stockpile;

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(2) The President's decision not to take unilateral action with respect to imposition of a quota on tung oil but instead to negotiate with the countries affected (Argentina and Paraguay) for a voluntary cutback in exports to this market;

(3) The refusal of the Executive Departments to support the domestic sugar industry's request for reopening the Sugar Act with a view to increasing the domestic quotas and proportionately reducing those of foreign suppliers;

(4) U.S. support for resolutions at the Rio Economic Conference calling for a study of the problems affecting coffee and bananas and assurances that the U.S. is prepared to discuss individual commodity problems at any time, with the countries affected.

(5) U.S. announcement at the Rio Economic Conference that it expected to follow a policy of gradual selective reduction of trade barriers.

Para. 9b. Financing Economic Development Projects

The policy stated in this sub-paragraph was announced at the Rio Economic Conference. An Export-Import Bank loan of \$100 million for development of the Toquepala Mine in Peru prior to the Conference gave substance to the policy.

Loans by the Export-Import Bank for development purposes were as follows:

EXPORT-IMPORT BANK LOAN AUTHORIZATIONS FOR LATIN AMERICA - May 1 - December 1, 1954

| Date | Borrower | Terms and Purpose | Thousands of Dollars |
|----------|---|--|----------------------|
| 5/25/54 | Brazil Services Aereos Cruzeiro do Sul Ltda. (Banco do Brazil) | 5 years - Aircraft & spare parts (Gen. Dynamics Corp.) | \$1,945 |
| 11/26/54 | Fongra Productos Quimicos, SA | 7½ years Equipment and Materials | 1,500 |
| 6/24/54 | Ecuador Republic of Ecuador (Increase) | 15 years Water Supply System | 3,650 |
| 9/2/54 | Paraguay Republic of Paraguay | to be determined Water Supply System | 7,200 |
| 10/28/54 | Peru South Peru Copper Co. | 20 years Copper Ore development | 100,000 |
| | | Total | \$114,295 |

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Twelve additional loans totaling nearly \$6 million were extended.

Export-Import Bank disbursements on all credits outstanding to Latin America including development and other credits, were \$36 million for the period January 1 through June 30, 1954. Repayments on all outstanding credits during the same period amounted to \$26 million.

During the period under consideration the International Bank authorized \$77 million in new loans to Latin American countries as follows:

INTERNATIONAL BANK LOAN AUTHORIZATIONS FOR LATIN
AMERICA MAY 1 - DECEMBER 1, 1954

| <u>Date</u> | <u>Borrower</u> | <u>Term and Purpose</u> | <u>Thousands of Dollars</u> |
|-------------|-------------------|----------------------------------|-----------------------------|
| Aug 24 | Mexican Govt. | 19 years: railway equipment | 61,000 |
| Oct 12 | El Salvador Govt. | 16 years: highway construction | 11,100 |
| Nov 12 | Peru Govt. Bank | 11 years: agricultural equipment | 5,000 |
| | | Total | 77,100 |

On November 11, the Chairman of the NAC announced an Administration decision to ask Congressional approval for U.S. participation in a proposed International Finance Corporation with a contemplated capital of \$100 million, about one-third to be supplied by the U.S., which would be organized as an affiliate of the International Bank. The time for submitting the proposal to Congress will depend on discussions with the IBRD and its members. The purpose of the Corporation would be to stimulate private investment in under-developed countries throughout the world by making loans without guarantee of member governments as is now required in loans by the International Bank.

On November 12, the Export-Import Bank announced the first authorization under a new program for exporter "lines of credits," designed to eliminate the need for an exporter to arrange a new loan to cover each individual sale. Export-Import Bank is discussing participation with the Chase National Bank in a new multi-million dollar export financing corporation.

Effective October 11, 1954, the lending authority of the Export-Import Bank was increased from \$4.5 billion to \$5 billion. As of November 30, 1954, the uncommitted lending authority of the Bank was \$1,713 million.

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Para. 9c. Development Assistance Loans

Since the period of time in which to evaluate the effects of courses of action 9a and 9b has not passed, no steps have been taken during the reporting period to implement the alternative course of action possible under this section.

Para. 9d. Strengthening Technical Cooperation Program

The Technical Cooperation Program has been strengthened and diversified as is evident from the table below. Appropriations for the program have been steadily increased, and these funds are being spent on more diversified activities. Appropriations for fiscal year 1952 were \$17.9 million; 1953, \$20.4 million; 1954, \$22.3 million; and 1955, \$26.0 million. During the period July 1 - November 1 the number of technicians in the field increased from 589 to 614.

FUNDS OBLIGATED FOR TECHNICAL COOPERATION
FY 1952 - FY 1955
 (THOUSANDS OF DOLLARS)

| <u>Activity</u> | <u>FY 1952</u> | <u>FY 1953</u> | <u>FY 1954</u> | <u>FY 1955</u> (estimated) |
|--------------------------------------|------------------|------------------|-------------------|-------------------------------|
| Agriculture and Natural Resources | 6,718 (40.4%) | 6,230 (38.1%) | 11,224 (47.7%) | 8,571 (35.9%) |
| Health and Sanitation | 4,763 (28.6%) | 4,467 (27.3%) | 4,926 (21.0%) | 4,988 (20.9%) |
| Education | 2,755 (16.5%) | 1,861 (11.4%) | 2,544 (11.0%) | 3,820 (16.0%) |
| Transportation, Power | 368 (2.2%) | 517 (3.2%) | 577 (2.4%) | 1,251 (5.2%) |
| Labor | --- | --- | 483 (2.0%) | 819 (3.4%) |
| Industry, Mining | 652 (4.0%) | 1,856 (11.4%) | 1,175 (5.0%) | 2,108 (8.8%) |
| Public Administration | 1,293 (7.8%) | 1,346 (8.2%) | 1,124 (4.8%) | 1,560 (6.5%) |
| Community Development | 90 (.5%) | 64 (.4%) | 649 (2.7%) | 636 (2.7%) |
| Trade, Invest., Other | -- | -- | 804 (3.4%) | 112 (.6) |
| TOTAL | 16,641 | 16,343 | 23,511 | 23,900** |

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*Labor was included with Industry, Mining and Labor in FY 1952 and FY 1953.

** Excludes L.A. share in world-wide projects, voluntary agency programs and other special programs.

Greater consideration is being given as long-term considerations are consistent with a system of annual appropriations. An indication of this is the increased number of three-year contracts with U.S. universities to assist in developing Latin American universities: In FY 1953, \$700,000 was obligated for this purpose; in 1954, \$4,300,000; in 1955, \$1,700,000; and in 1956, it is planned to obligate \$6,200,000.

Responsible Latin American officials publicly support the program, and the Latin American governments have increased their requests for assistance and contributions to the program. Contributions to program funds in FY 1953 were \$38,200,000; in 1954, \$55,200,000, and in 1955, \$61,100,000.

Training in the United States of Latin Americans has been steadily increased, and diversified. In Fiscal Year 1953, 560 Latin Americans received training, in Fiscal Year 1954, 1,108; and in Fiscal Year 1955, 1,456. Training grants for Fiscal Year 1955 will include grants as follows: health, 144; agriculture, 254; industry, 664; education, 210; public administration, 155; and community development, 38.

Para. 9e. Grant Economic Assistance

Congressional authorization was obtained for funds to be expended over the next five years to cover the United States' obligation under cooperative agreements for construction of the Inter-American Highway in Central America. Under this authorization, an appropriation of \$5,750,000 was obtained for Fiscal Year 1955, and nearly all of this sum has been allocated for specific project agreements with Panama, Costa Rica, Nicaragua and Guatemala. Cooperation with Guatemala was resumed on the Selegua Gap section which will eventually permit travel to San Jose, Costa Rica. In addition to previous authorizations, \$4 million was authorized, and \$1 million appropriated, for completion of the Rama Road in Nicaragua.

The emergency economic grant program in Bolivia was continued with the ultimate objective of increasing agricultural production and otherwise diversifying the country's economy to decrease its dependence on tin exports. At the same time the program provides food, primarily from United States surplus stocks, which is required because Bolivia lacks the foreign exchange necessary to continue normal food imports. Emergency economic aid was extended to Guatemala after the revolution and to Haiti and Honduras after the recent hurricanes. These programs involved a total of \$7,632,000 of Mutual Security funds and \$3,430,000 in surplus agricultural products under PL 480. An additional \$700,000 of Mutual Security funds is being spent for Christmas parcels delivered in Latin America by CARE and other voluntary agencies.

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Para. 9f. Improvement of Investment Climate

Efforts to encourage the Latin American countries in these directions are continuing. For example, (1) Haiti was dissuaded from establishing an oil refinery with monopoly privileges; (2) in Chile a plan of economic "rectification" has been presented to the Congress in response to constant prodding from the U.S.; (3) in Argentina, progress has been made toward extension of certain of the provision for repatriation of capital and dividends on new investments to cover old investments; (4) in Panama the United Fruit Company took the initiative in negotiating with the Panamanian Government a 32-year contract which provides increased benefits to the Government; (5) Peru, in November, signed a lend-lease agreement covering the balance of \$2.8 million owed to the U.S., thus acknowledging a contractual obligation of long standing and eliminating an obstacle to receiving credit from the U.S.

Activities of U.S. agencies, designed to advance the accomplishment of this objective, include: (1) reporting on foreign private investment in Latin America; (2) providing information on investment opportunities including the issuance of investment handbooks; and (3) planning for a major private investment conference in New Orleans next February to be attended by U.S. and Latin American firms and institutions.

Negotiations with Honduras on a double taxation treaty were virtually completed although the political situation there has held up its signature. Preliminary discussions on such a treaty were undertaken with Nicaragua.

Para. 9g. Regional Economic Actions and Groupings

Latin American proposals for the creation of regional economic actions and groupings were given detailed consideration by the Sub-Cabinet Committee in formulating the U.S. position for the Rio Economic Conference:

(1) One proposal related to establishment of an Inter-American financial institution which the U. S. believed would duplicate existing facilities. The U.S. did not feel it could join the proposed institution but offered to assist through consultation and furnishing technical information.

(2) With respect to an international entity to promote Inter-American cooperation in industrial and technological productivity, the U.S. declined to participate because it considered a new institute unnecessary. The U.S. offered to provide technical advice and consultation.

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(3) Proposals were made for consultations among the central banks of the American republics to determine the feasibility of financial arrangements to deal with temporary difficulties in balance of payments and also of revising the quotas of Latin American countries in the International Monetary Fund. The U.S. abstained, partly because it was not prepared to increase its quota to the Fund but indicated that the studies which might result from the resolution would have our good will and technical cooperation.

(4) The Rio Economic Conference (including U.S. approval) recommended a study of the possibility of intensifying regional trade through special customs arrangements in harmony with existing bilateral and multilateral agreements including future revisions thereof.

Para. 9h. Use of Agricultural Trade Development and Assistance to Obtain Non-Deteriorating Assets

No agreements have been made with any Latin American country under the Agricultural Trade Development and Assistance Act of 1954. However, authorization has been given to proceed with negotiations with Brazil, Chile and Peru for programs amounting to approximately \$30, \$8 and \$6 million, respectively, and it is anticipated that repayment will be made, in part, in strategic and critical materials.

Para. 9i. Diversification of Latin American Economies

Considerable diversification has been achieved in the agricultural field. Programs for industrial diversification are being prepared, especially as regards small industry, for countries where it is appropriate.

In fields requiring large capital investments, principal reliance for increased diversification falls upon private investors. The following represent new industries in the countries referred to and are typical of such activities in Latin America: (1) in the Dominican Republic new dry-dock facilities are being erected by a Florida company. The National Gypsum Company and the U.S. Gypsum Company are erecting a large plant. The South Puerto Rico Sugar Company is erecting a large plant to make furfural from sugar cane bagasse; (2) in Haiti, the Reynolds Metals Company has opened a road to its bauxite deposits in preparation for mining operations in the near future; (3) in Peru, American Smelting and Refining will soon begin the development of its copper properties in the south, which will assist materially in the development of the surrounding area; (4) a new paper box plant is being constructed in Mexico.

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Para. 10. Encouragement of Fiscal, Budgetary and Other Measures

The U.S. has continued bilateral discussions with Brazil and Chile on their budgetary and fiscal problems. Chile has sought advice from the International Monetary Fund on reforming its exchange control system and, as a preliminary step, altered the peso dollar rate from 110 to 1 to 200 to 1 on November 10.

The International Bank for Reconstruction and Development and the International Monetary Fund continue to advise various Latin American countries, including Costa Rica, Honduras, Nicaragua, El Salvador, Panama and Peru, on budget, fiscal and other measures essential to economic progress. Guatemalan requests of the U.S. for such assistance are being considered.

Treasury officials have consulted with financial representatives from Brazil, Mexico and Peru concerning their internal and foreign payments situations, including visiting each of these countries for discussions. The Secretary of the Treasury, at the Annual Meetings of the Fund and International Bank and at the Rio Economic Conference, also urged the adoption of policies which would contribute to economic stability.

The United States is considering a Mexican request to convert the existing Stabilization Agreement into a direct, long-term loan of \$75 million for the purpose of supporting the peso at its present rate.

The Technical Cooperation Program has increased training in the general field of public administration, thereby encouraging improvements in fiscal and budgetary operations.

During this period, the only drawings by Latin American countries on the International Monetary Fund have been \$22.5 million drawn by Mexico shortly after a standby arrangement for \$50 million was made with the Fund on April 16, 1954. A possible drawing by Chile is now being discussed. At the end of September 1954 (latest data available), cumulative net drawings on the Fund by Latin American countries were as follows:

| <u>Country</u> | <u>Millions of Dollars</u> |
|----------------|----------------------------|
| Bolivia | 2.5 |
| Brazil | 65.5 |
| Chile | 8.8 |
| Mexico | 22.5 |
| Paraguay | .9 |
| | <u>100.2</u> |

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The standby agreement with Mexico, originally authorized for a six months' period, was extended on October 16 for an additional 12 months. There is also in effect a one-year standby agreement with Peru for \$12.5 million, established February 17, 1954.

Para. 11. Information Program and Related Activities

The U. S. Information Agency total dollar support for its programs in Latin America over the period 1954-56 is as follows:

| | |
|------------|------------------|
| 1954 . . . | \$5,197,000 |
| 1955 . . . | 5,253,000 |
| 1956 . . . | 7,490,000 (est.) |

The 1955 program, while showing only a minor increase in funds over 1954, has during the first six months of the fiscal year been reoriented so as to deliver more impact in the priority countries such as Brazil, Chile, Bolivia and Guatemala. The President's "Atoms for Peace" proposal, the Rio Economic Conference, and the pertinent recommendations of the Milton Eisenhower report on Latin America, have all received continuing emphasis in Agency planning and output. Specific plans for a cooperative information project with Puerto Rico were set in motion.

The FY 1955 program is concentrated on three basic tasks: (a) expounding the free enterprise system and inter-American economic interdependence; (b) exposing the threat of Communism and its influence in the area; and (c) demonstrating the positive values of democracy as exemplified by American life and culture. Among the specific projects which have been put in motion during the past six months to support these three themes are the following:

(1) Economic Interdependence. A definable Latin American Economic Information Project was established in July, involving both field and media production of materials. Production has been undertaken on six pamphlets in Spanish and Portuguese dealing with the role of private investment in the development of the Americas, with provision for 200,000 copies of each for distribution in Latin America. Production has commenced on six economic posters paralleling the subject matter of these pamphlets and will be produced in quantities permitting widespread distribution. Writer-photographer teams are now completing their assignments throughout Latin America of collecting material on which USIS field output will be based in support of exploitable aspects of FOA activities. Production of a series of 14 half-hour dramatic programs is being completed with the current delivery of the first two scripts. Production of two films entitled "New Horizons" and

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"Latin American Economic Highlights for 1954" is about 50% completed. An economic bookshelf has been selected, demonstration sets sent to the field for presentation, and selected titles will be translated and published under contracts now being negotiated in Mexico. One illustrated book on the U. S. geography and growth, produced by IPS, has been translated into Spanish and Portuguese and will be distributed in volume. A second illustrated book on the U. S. economy has been contracted for and preliminary draft text prepared. Two new films on hemisphere economic interdependence are about 50% completed; seven short films relating to development of underdeveloped areas, made by the Puerto Rican government, are being purchased for distribution to the field; a series of films on FOA activities in Brazil, Chile, Bolivia, Peru and Ecuador is about 40% completed; a film on FOA in Haiti has been completed and is ready for the field; a film on a visit to the U.S. by directors of Brazilian agricultural schools to the U. S. has been completed; a film on establishment of labor unions in Honduras has been completed. At the Rio Economic Conference, intensive news coverage was provided at the Conference by a five-man team from the Agency, assisted by USIS Rio; tapes of interviews, photos, newsreel footage and special film footage, and press features were prepared on the spot and sent to the Agency as well as forwarded direct to other posts in the area for fast coverage. Seven of thirteen monthly newsreels produced locally by USIS Brazil have been released for theatrical distribution in that country; contracts are being negotiated in Mexico for the translation and publication of books especially selected to meet objectives under the theme of economic interdependency.

(2) Exposing Communism. Production of six anti-Communist posters and six new anti-Communist pamphlets is under way. USIS Mexico produced a basically anti-Communist cartoon book for Central American posts to the number of 90,000 copies, and kept this area supplied with political cartoons by Latin American artists. Two anti-Communist cartoon strips are produced and appear in from 300 to 350 Latin American newspapers. Scripts for a series of 26 anti-Communist dramatic radio shows were furnished Cuba. Ten similar scripts were furnished Guatemala. The "Fall of the Titan" appeared in a recorded four-part series. A 14 part packaged dramatic anti-Communist show and a complete 13 part show were also sent to the field for broadcasts. The PAO in Panama recorded a series of 18 interviews in Spanish with a Polish ex-slave laborer and also made arrangements for the Caribbean Forces Network to record a similar series in English. Over 800 books on anti-Communism were recently sent to Latin America. Four anti-Communist books were translated into Spanish and six into Portuguese. One anti-Communist film on Guatemala was produced and another was acquired and circulated; six from other areas were distributed.

(3) Positive Values of Democracy. The Binational Center program has been strengthened by reorganizing the grantee personnel system, basing salary scales and allowances on those of the Foreign

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Service Staff, in order to give more security to employees and enable the Agency to retain and recruit outstanding center personnel. Approximately ten major exhibits on various phases of American life were shipped to the field as well as a number of smaller special requests. At least 96,000 books and publications were sent to the field for Center and presentation use (including economic and anti-Communist). Five of the "Our Times" film series were finished. An historical film "Coast to Coast" is being processed for distribution. "Report to Youth" is nearing completion. Nine books on positive themes were translated into Spanish and six into Portuguese. From 75 to 100 radio "Special Events" were furnished the field, including interviews, special programs and musical transcriptions or special musical events.

(4) Other Projects. In support of the President's "Atoms for Peace" proposal, USIA has conducted an intense effort, utilizing its press, radio, motion picture and book programs. Of special significance is the exhibit entitled "Atoms for the Benefit of Mankind" which has been showing in Sao Paulo since August in participation with the 400th anniversary celebration of the city. By December the total attendance at this exhibit had reached 300,000, including visitors from throughout the world. A color film on this exhibit has been completed and is being readied for film distribution. Also, a panel exhibit entitled "Atoms for Peace" has been sent to each post in Latin America.

Special "short term" assistance has been given to USIS Chile to support the U.S. position in relation to the critical economic situation existing in that country. Similar support was given to USIS Brazil before and during the recent elections, including the production and use of a study of the ties existing between the Brazilian Communists and Soviet Russia.

The Wireless File has been converted to a Spanish language news service and other steps have been taken to expedite its local distribution to newspapers and radio stations.

An agreement was reached with the government of Puerto Rico providing for the cooperation of USIA in distributing films, pamphlets and other materials supporting U.S. objectives produced under the Puerto Rican Information program. Such materials are already being used overseas by USIA and are particularly effective in Latin America.

The Agency cooperated with a task force during the Guatemalan crisis in selecting documentary material, through the cooperation of the new anti-communist government, which was used in the output of the Agency. At the time of, and subsequent to the Guatemalan Revolution, the Agency sent guidances, books, pamphlets, press and

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radio commentaries and stories to the field to enable field personnel to understand and then publicize the extent of Moscow ties to the Arbenz regime and elsewhere in Latin America.

As a result of provision written into the Exchange of Persons program appropriation by the Congress, an increase in the Latin American program was required. The total allocation to Latin America was increased to \$1,818,534 (FY 1955) from \$1,027,714 (FY 1954). Allocation under this appropriation for the American Schools in Latin American area went to \$175,000 (FY 1955) from \$128,250 (FY 1954). Particular emphasis is being placed on leader awards and grants in educational and informational fields.

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Para. 12. Overt and Covert Action Against Communist and other
Anti-U.S. Activities

Overt activities are described under paragraphs 6 and 11 above.

Para. 13. Encourage acceptance of concept that each Latin American
Government is responsible for maximum contribution to
(1) internal security, (2) self-defense, and (3) the
allied defense effort

All progress reported on all military courses of action constitutes progress with respect to this specific course of action.

Colombia has continued to maintain one frigate in support of the United Nations' defense effort in the Far East.

No progress has been made with respect to the U.S. desire for resumption of military staff talks with Venezuela.

Para. 14. Provision of military assistance consistent with agreed
defense plans

The Departments of State and Defense are exploring the possibility of extending grant military assistance to Guatemala. To this end a survey of the capabilities of Guatemala to absorb, utilize and maintain U.S. military equipment that might be offered under the provisions of Section 105, Public Law 665, was conducted. The results of the survey are being studied by the Department of Defense.

Bilateral Military Assistance Agreements were signed with Nicaragua and Honduras in April and May respectively. Each country has received U.S. equipment for one infantry battalion.

Negotiations for a bilateral Military Assistance Agreement with Haiti will begin in January.

Following the decision of the Colombian Government to withdraw its infantry battalion from Korea, it was decided to permit the battalion to retain its equipment provided the Colombian Government would agree to maintain the battalion as a unit under the MDAP program. The Colombian Government agreed, and the bilateral military plan has been amended accordingly. Because the unit retained its equipment, it is a militarily effective unit immediately able to perform its mission.

MDA programs are continuing in Brazil, Chile, Colombia, Cuba, Dominican Republic, Ecuador, Peru, and Uruguay.

Army MDA programs have been initiated in Honduras and Nicaragua. A naval MDA program was commenced in Uruguay.

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In summary, the combined force goals for which the U.S. has furnished military equipment through MDAP as of 1 December 1954 are:

| | |
|-----------|-------------------------------|
| Army | - 1 Regimental Combat Team |
| | - 8 Anti-aircraft Battalions |
| | - 3 Infantry Battalions |
| | - 1 Recon. Sq. (Mecz) |
| Navy | - 19 Warships |
| | - 44 Other Vessels |
| | - 1 Composite Recon. Squadron |
| Air Force | - 20 Combat Squadrons |
| | - 1 Transport Squadron |

The value of military grant aid shipments to Latin America during the period 1 May 1954 - 30 September 1954 was \$15.6 millions.

Value of grant aid obligated since the program began, by country, are as follows: (as of 30 September 1954)

| <u>Country</u> | <u>In Millions of Dollars</u> |
|--------------------|-------------------------------|
| Brazil | \$ 78.0* |
| Chile | 10.5 |
| Colombia | 7.5 |
| Cuba | 1.2 |
| Dominican Republic | .1 |
| Ecuador | 4.8 |
| Honduras | .4 |
| Nicaragua | .4 |
| Peru | 7.0 |
| Uruguay | .5 |
| Total | <u>\$110.4</u> |

* Includes \$52.6 millions of W.W.II lend-lease ships the title to which was transferred to Brazil

The Department of Defense is studying requests for increased support of Brazilian and Cuban Forces.

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Para. 15. Assumption by the U.S. of responsibility for military operations and acceptance of U.S. military control by other nations.

Recognition of U.S. responsibility by Latin American Governments is realized upon consummation of bilateral military assistance agreements, and in the approval by Latin American countries of the IADB General Military Plan for Defense of the American Continent. To date all countries except Mexico, Venezuela, and Guatemala have approved this Plan.

The United States and Netherlands military negotiators reached an agreement on 11 November whereby the United States would have sole responsibility for protecting the sea communications in the Caribbean, and the Netherlands Government would have responsibility for the local defense of its territory in that area.

Para. 16. Reciprocal Use of Bases Established with U.S. Aid

The Department of Defense has forwarded to the Department of State, for negotiation with Brazil, a new base rights agreement which would guarantee continued use of existing facilities and acquire a guided missile observation station and a communication relay facility.

Para. 18. Protection of Sources and Processing Facilities
(Strategic Materials)

No progress to report.

Para. 19. Impact of Military Effort on Economic Stability

All U.S. agencies continue to consider the economic conditions existing in those countries seeking grant and reimbursable assistance. However, the Latin appetite for military equipment remains an obstacle to effective U.S. efforts to keep purchases of military equipment within their economic capacity. U.S. denial of military equipment in consonance with this course of action, along with other reasons, has often resulted in acquisition from sources other than U.S. to the distinct detriment of U.S. standardization objectives as set forth in para. 20e. Examples:

- (1) Substantial purchases by Ecuador including jets from Great Britain.
- (2) Colombia's contract with Sweden for two ships.
- (3) Chile's barter with Great Britain - copper for jets.

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Para. 20a. Continued Planning within Multilateral and Bilateral
Military Agencies

Bolivia, El Salvador, Nicaragua, and Paraguay approved the IADE general military plan. Guatemala announced intent to do so.

U. S. intelligence on Soviet capabilities was provided the IADE for planning purposes.

A new mapping and charting agreement between the United States and Mexico is under consideration by JMUSDC.

Brazil and the U.S. are considering the formation of a Combined Board on Defense, Brazil-United States (CBD-BUS).

Para. 20b. Military Training Missions

A new Army Mission Agreement was signed with El Salvador on September 23. The Army Mission Agreement with Colombia was extended indefinitely or until such time as it is superseded by an Agreement being negotiated. Negotiations are still proceeding with Bolivia, Ecuador, Guatemala, Paraguay and Peru for the extension of existing agreements or signing of new ones.

The Navy Mission Agreements with Brazil, Colombia, and Ecuador were extended indefinitely but a new agreement is being negotiated with Colombia which, when signed, will supersede the existing agreement.

The Air Force Agreement with Colombia was recently extended indefinitely but negotiations are continuing on a new agreement which, when signed, will supersede the existing agreement. Negotiations are continuing on new agreements or extension of existing agreements with Bolivia, Ecuador, Guatemala and Paraguay.

Bolivia, Chile, Colombia, Honduras, Nicaragua and Venezuela requested the assignment of additional personnel to Army Missions. Manpower limitations have, to date, prevented fulfillment of all requests.

An additional officer has been assigned to the U.S. Naval Advisory Group in Argentina.

Colombia has requested augmentation of the U.S. Naval Mission to include Marine Corps personnel with a view to development of a Colombian Marine Corps.

The U.S. Navy is endeavoring to fulfill an Ecuadoran request for additional mission personnel.

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Para. 20c. Military Training in U.S. Service Schools and Training Centers

U.S. policy with respect to training under the grant aid program was broadened to permit payment of transportation, per diem and course costs for all Latin American trainees.

The Army provided training in the U.S. for 136 Latin Americans during FY 1954. The quota for FY 1955 has been increased 75%. Additionally, 714 Latin Americans received training in the U.S. Army Caribbean School, located in the Canal Zone, during FY 1954. The quota for FY 1955 has been increased 30%.

The U.S. Navy allotted quotas for 505 Latin American students to attend Naval Schools in the U.S. during FY 1955.

The USAF provided specialized training in the U.S. for 173 Latin American students during the period of this report. Additionally, 500 Latin American students received training in the USAF school at Albrook AFB, Canal Zone.

Six Latin American students are enrolled in the U.S. Military Academy, and eleven are attending the U.S. Naval Academy. A quota of 20 is authorized at each Academy.

Spaces for Latin American students are authorized by law at the Air Force Academy and applications for admission will be accepted the first year after a full four-year student body is present.

U.S. Ambassadors in Latin America have been requested to advise their host governments concerning the availability of quotas at the Military and Naval Academies.

Para. 20d. Foster closer relations between Latin American and U. S. military personnel

During the period of this report, the military departments were hosts to the following Latin American military dignitaries who accepted official invitations to visit the U.S:

(1) Army

Ecuador - Minister of Defense

(2) Navy

Argentina - Secretary of the Navy
Mexico - Secretary of the Navy
Venezuela - Chief of Naval Operations

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(3) Air Force

| | |
|-----------|-----------------------------|
| Chile | - Chief of Staff, Air Force |
| Peru | - Air Minister |
| Venezuela | - Chief of Staff, Air Force |

The USAF was host for a three-week tour of the United States of 90 Argentine Air Force officers and cadets.

U.S. military forces in cooperation with the Red Cross participated in disaster relief operations in Costa Rica, Guatemala, and Haiti, and on two occasions each in Panama and Honduras.

The Department of the Army presented, or approved for presentation, ten U.S. military decorations to members of Latin American armed forces in recognition of services rendered to inter-American military collaboration as follows: Brazil, 2; Chile, 1; Colombia, 3; Ecuador, 1; Haiti, 1; Venezuela, 2.

The Commanding General, U.S. Army, Caribbean, representing the U.S. and the UN Command, with a thirty one-man honor guard, participated in the official homecoming ceremonies of the Colombian Battalion from Korea; presented two U.S. military decorations to officers of the battalion; and awarded the Presidential Unit Citation to the battalion for combat actions while serving with the United Nations Command in Korea.

In October the Vice Chief of Staff, U.S. Army, accompanied by the Senior U.S. Army Delegate to the Inter-American Defense Board, visited Argentina, Brazil, Colombia, Peru and Venezuela. They were received by highest government officials in all countries visited.

The Department of the Army sponsored an Inter-American Defense Board visit to Army installations. Troop demonstrations were observed at Fort Jackson, South Carolina, and Fort Bragg, North Carolina.

Para. 20e. Standardization - Facilitating Purchase of U.S. Equipment

The Mutual Security Act of 1954 permits the sale of military equipment on credit, but made no provision for financing such credit. This problem has been temporarily solved by financing such sales with Defense Department funds. The Air Force, in the case of a sale to Peru, and the Army, in the case of a sale to Guatemala, financed the credit from its own funds. In addition to a permanent solution to the financing problem, criteria for granting credit are required. While no particular problem exists with respect to Peru and Venezuela, whose credit standings are good, such countries as Chile, Brazil, Ecuador, etc., which have very unsatisfactory economic situations, pose a real problem.

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The Department of Defense has been unable to accede to requests from Latin American countries for the purchase of naval vessels because of the unavailability of the ships that they require. However, in view of the historically close collaboration between the U.S. and Brazil and the significance of contributions desired from Brazil in the way of base facilities (see para. 17 above) the Department of Defense is considering the loan of an escort carrier to Brazil but will not be prepared to supplement such loan with aircraft for carrier employment.

As of 30 April, Army materiel valued at approximately \$16.4 million had been delivered to Latin America under the reimbursable provisions of MDAP. As of 30 September an additional \$3.1 million worth had been shipped.

Under the reimbursable provisions of the Mutual Security Act, Colombia purchased six T-33's; Cuba received two T-33's. Three F-51's were delivered to Guatemala and fifty AT-6's were delivered to Brazil.

U.S. Army, Caribbean Demonstration Teams visited Bolivia, Colombia, Costa Rica, Nicaragua, Paraguay, Peru and Venezuela, demonstrating U.S. materiel.

In order to expedite delivery of spare parts, the Army established a procedure whereby emergency requirements for spare parts can be met from Army stocks in the U.S. Caribbean Command.

A U.S. destroyer visited Venezuela during the period 5-10 April 1954 and conducted a series of orientation visits for Venezuelan naval personnel.

A destroyer division exercised with ASW ships and other units of the Brazilian Navy off Rio de Janeiro, Brazil, during the period 21-22 July 1954.

The U.S. military forces are sponsoring a translation program that will supply Spanish speaking military forces in Latin America with selected training publications.

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